

**WATER/ABJ/PTL/MAX:jlj**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**Water Division  
WATER BRANCH**

**Resolution No. W- 4330  
APRIL 22, 2002**

**RESOLUTION**

**(RES. W-4330), DEL ORO WATER COMPANY, INC., JOHNSON  
PARK DISTRICT (JPD). ORDER AUTHORIZING A GENERAL  
INCREASE IN RATES PRODUCING \$20,799 OR 26.17%  
ADDITIONAL ANNUAL REVENUE.**

**SUMMARY**

By Draft Advice Letter, accepted on October 4, 2001, JPD seeks an increase in its rates for water service to recover increased expenses of operation and earn an adequate return on its plant investment. For Test Year 2002, this resolution grants an increase in gross annual revenues of \$20,799 or 26.17%, which is estimated to provide a rate of return on rate base of 9.12%.

**BACKGROUND**

JPD requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$20,799 per year or 26.17% in 2002. JPD's request shows that its gross revenue of \$79,469 at present rates would increase to \$100,268 at proposed rates.

JPD's current rates became effective on June 14, 1999, pursuant to Res. No. W-4150, which authorized a general rate increase of \$4,265 or 5.8% and a rate of return of 10.10%. JPD presently serves 319 metered customers in the unincorporated community of Johnson Park, three miles east of Burney on State Route 299, Shasta County.

**DISCUSSION**

The Water Division (Division) made an independent analysis of JPD's summary of earnings. Appendix A shows JPD's and the Division's estimates of the summaries of earnings at present, requested, and adopted rates for Test Year 2002. Appendix A also shows differences between JPD's and the Division's estimates of operating expenses, and rate base. JPD and the Division discussed these differences and agreed upon the summary of earnings adopted in this resolution.

JPD's draft advice letter requested rates that it estimated would produce a rate of return on rate base of 10.09%. The Division's Audit and Compliance Branch (ACB) has determined that a 9.97% rate of return for JPD is reasonable. The summary of earnings in Appendix A shows a rate of return of 9.12 % at the Division's recommended rates. Although this rate of return is less

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than the rate of return recommended by ACB, it will result in the utility receiving the entire increase it requested. In order for any additional increase to be authorized, JPD would have to first notice its customers of the additional increase. The utility does not wish to do that and accepts the 9.12% rate of return. Under guidelines established by Commission's Decision No. 92-03-093, the Commission staff must calculate net revenues by both the return on rate base and the operating ratio methods that determine revenue and select the method that produces the most revenue. Division evaluated the net revenue using both methods and determined that the return on rate base method provides the most revenue.

JPD's filed tariffs currently contain one rate schedule: Schedule No. JP-1A, Annual General Metered Service. JPD is a district of Del Oro Water Company, Inc., a Class B water utility. Current rate design policy allows Class B water utilities to recover up to 50% of its fixed costs in the service charge component of a metered rate schedule. In view of this, the rates recommended by the Division in Appendix B are based on 50% of JPD's fixed costs being recovered in the service charge.

At the Division's recommended rates shown in Appendix B, the monthly bill for a 5/8 x 3/4-inch metered customer using 1,700 cubic feet of water will increase by \$4.23 from \$20.63 to \$24.86 or 20.50%. A comparison of customer bills at present and recommended rates is shown in Appendix C.

The adopted quantities and tax calculations are shown in Appendix D.

### **NOTICE AND PROTESTS**

A notice of the proposed increase in rates and notice of a public meeting were mailed to each customer on October 17, 2001. The Division received no responses to the notice. The Commission's Consumer Affairs Branch (CAB) reports that JPD has not received any complaints over the last three years.

On November 6, 2001, the Division held a public meeting at the Veterans Memorial Hall in Burney. The Division's representative explained the Commission's rate-setting procedure and the utility's representative explained the need for the increase. There were ten individuals present at the meeting. The concerns raised by the persons attending the meeting dealt mainly with the need and magnitude of the increase.

### **FINDINGS AND CONCLUSIONS**

1. The Division's recommended Summary of Earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Division (Appendix B) are reasonable and should be authorized.
3. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.

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4. The rate increase proposed by the Branch is justified and the resulting rates are just and reasonable.

**IT IS ORDERED that:**

1. Authority is granted under Public Utilities Code Section 454 for the Del Oro Water Company, Inc., Johnson Park District, to file an advice letter incorporating the Summary of Earnings and revised rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently to cancel its presently effective rate Schedule No. JP-1A, Annual General Metered Service. Its filing shall comply with General Order 96-A. The effective date of the revised schedule shall be five days after the date of filing.
2. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the state of California held on April 22, 2002; the following Commissioners voting favorably thereon:

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WESLEY M. FRANKLIN  
Executive Director

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**APPENDIX A**

**DEL ORO WATER COMPANY, INC.  
JOHNSON PARK DISTRICT**

**SUMMARY OF EARNINGS**

Test Year 2002

<u>Item</u>	<u>Utility Estimated</u>		<u>Branch Estimated</u>		<u>Recommended</u>
	<u>Present</u> <u>Rates</u> <u>2002</u>	<u>Requested</u> <u>Rates</u> <u>2002</u>	<u>Present</u> <u>Rates</u> <u>2002</u>	<u>Proposed</u> <u>Rates</u> <u>2002</u>	<u>Rates</u> <u>2002</u>
<b><u>Operating Revenue</u></b>					
Metered	\$79,469	\$100,268	\$79,469	\$101,366	\$100,268
	\$79,469	\$100,268	\$79,469	\$101,366	\$100,268
<b><u>Operating Expenses</u></b>					
Purchased Power	\$20,647	\$20,647	\$25,423	\$25,423	\$25,423
Employee Labor	11,890	11,890	11,890	11,890	11,890
Materials	879	879	879	879	879
Contract Work	1,091	1,091	1,091	1,091	1,091
Transportation	5,763	5,763	5,763	5,763	5,763
Other Plant Maintenance	604	604	604	604	604
Office Salaries	9,027	9,027	8,993	8,993	8,993
Management Salaries	5,395	5,395	5,268	5,268	5,268
Employees Pension & Ben.	1,403	1,403	1,403	1,403	1,403
Uncollectibles	600	600	399	399	399
Office Services & Rent	4,128	4,128	4,128	4,128	4,128
Office Supplies & expense	6,797	6,797	6,797	6,797	6,797
Professional Services	3,068	3,068	3,068	3,068	3,068
Insurance	1,769	1,769	1,769	1,769	1,769
Regulatory Expenses	2,500	2,500	1,850	1,850	1,850
General Expenses	800	800	800	800	800
<b>Subtotal</b>	\$76,361	\$76,361	\$80,125	\$80,125	\$80,125
Depreciation	4,913	4,913	3,410	3,410	3,410
Taxes Other than Income Taxes	3,620	3,620	3,620	3,620	3,620
State Tax	800	1,041	800	987	841
Federal Income Tax	0	1,610	0	1,444	1,301
<b>Total Deductions</b>	\$85,694	\$87,545	\$87,955	\$89,585	\$89,297
<b>Net Revenue</b>	(\$6,225)	\$12,723	(\$8,486)	\$11,994	\$10,971
<b><u>Rate Base</u></b>					
Average Plant	\$156,875	\$156,875	\$150,792	\$150,792	\$150,792
Ave. Accumulated Depreciation	(22,840)	(22,840)	(22,840)	(22,840)	(22,840)
<b>Net Plant</b>	\$134,035	\$134,035	\$127,952	\$127,952	\$127,952
<b><u>Less Advances</u></b>					
Contributions	(14,324)	(14,324)	(14,324)	(14,324)	(14,324)
<b>Plus Working Cash</b>	6,363	6,363	6,677	6,677	6,677
<b>Rate Base:</b>	\$126,075	\$126,075	\$120,306	\$120,306	\$120,306
<b><u>Rate of Return</u></b>	(4.94%)	10.09%	(7.05%)	9.97%	9.12%

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**APPENDIX B**  
**DEL ORO WATER COMPANY, INC.**  
**JOHNSON PARK DISTRICT**  
**Schedule No. JP-1A**  
**ANNUAL GENERAL METERED SERVICE**

**APPLICABILITY**

Applicable to all metered water service furnished to the Johnson Park District service area.

**TERRITORY**

Johnson Park and vicinity, Shasta County.

**RATES**

Quantity Rates	<u>Per Meter Per Month</u>	
All water, per 100 cu. ft. -----	\$ 0.94	(I)
Service Charge		
For 5/8 x 3/4-inch meter -----	\$ 8.88	(I)
For 3/4-inch meter -----	\$ 13.32	
For 1-inch meter -----	\$ 22.20	
For 1 1/2-inch meter -----	\$ 44.40	
For 2-inch meter -----	\$ 71.04	(I)

The Service Charge is a readiness-to-serve charge, which is applicable to all metered service and to which is added the monthly charge computed at the Quantity Rates.

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**APPENDIX C**  
**DEL ORO WATER COMPANY, INC.**  
**JOHNSON PARK DISTRICT**  
**COMPARISON OF RATES**

**METERED SERVICE**

	<u>Per Meter Per Month</u>		
	<u>Present Rates</u>	<u>Proposed Rates TY 2002</u>	<u>Percent Increase (Decrease)</u>
For 5/8 x 3/4-inch meter	\$ 7.20	\$ 8.88	23%
For 3/4-inch meter	\$10.80	\$13.32	23%
For 1-inch meter	\$18.00	\$22.20	23%
For 1-1/2-inch meter	\$36.00	\$44.40	23%
For 2-inch meter	\$57.60	\$71.04	23%

**Quantity Rates:**

All water, per 100 cu. ft.	\$ 0.79	\$ 0.94	19%
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Comparison of a monthly typical bill for residential metered customers with a 5/8 x 3/4-inch is shown below at current rates and recommended rates for test year 2002.

<u>Usage</u> <u>100 cu. ft.</u>	<u>Present</u> <u>Bills</u>	<u>Recommended</u> <u>Bills</u>	<u>Amount</u> <u>Increase</u> <u>(Decrease)</u> \$	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u> %
0	\$ 7.20	\$ 8.88	\$ 1.68	23.33%
10	\$ 15.10	\$ 18.28	\$ 3.18	21.06%
15	\$ 19.05	\$ 22.98	\$ 9.93	20.63%
<b>17</b>	<b>\$ 20.63</b>	<b>\$ 24.86</b>	<b>\$ 4.23</b>	<b>20.50%</b>
20	\$ 23.00	\$ 27.68	\$ 4.68	20.35%
30	\$ 30.90	\$ 37.08	\$ 6.18	20.00%

(END OF APPENDIX C)

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**APPENDIX D**

**DEL ORO WATER COMPANY, INC.**

**JOHNSON PARK DISTRICT**

**ADOPTED QUANTITIES**

**Test Year 2002**

1. Purchased Power

Pacific Gas and Electric Company

Effective Date January 1, 2002

Schedule A-10 Medium General Demand Metered Service

**ENERGY CHARGE**

(per kWh per month)

Summer	\$0.1487
Winter	\$0.10193

**ENERGY PROCUREMENT SURCHARGE**

(per kWh per month)

Summer	\$0.01 + \$0.0614
Winter	\$0.01 + \$0.02838

**DEMAND CHARGE**

(per kWh of maximum demand per month)

Summer	\$1.95
Winter	\$0.45

**CUSTOMER CHARGE**

(per meter per month) \$75.00

Total Cost	\$25,423.00
Total kWh	131,520
Average Unit Cost \$/kWh	\$0.1933

2. Payroll

Employee Labor	\$11,890
Office Salaries	\$ 8,993
Management Salaries	\$ 5,268

3. Payroll Taxes \$ 971

4. Ad Valorem Taxes \$ 1,189

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**APPENDIX D**

**DEL ORO WATER COMPANY, INC.**

**JOHNSON PARK DISTRICT**

**ADOPTED QUANTITIES**

**Test Year 2002**

**Service Connections**

Meter Size

5/8 x 3/4-inch	.....	306
3/4-inch	.....	5
1-inch	.....	5
1-1/2-inch	.....	<u>3</u>
		319

**Metered Water Sales Used to Design Rates**

Usage – Ccf/Year

General Metered	67740
	=====

**ADOPTED TAX CALCULATIONS**

1. Operating Revenues	\$100,268
2. Expenses	\$ 80,125
3. Depreciation	\$ 3,410
4. Taxes Other Than Income	\$ 3,620
5. Interest Expense	\$ 3,600
6. Taxable Income for State Tax	\$ 9,513
7. State Tax	\$ 841
8. Taxable Income for FIT	\$ 8,672
9. Federal Tax	\$ 1,301

(END OF APPENDIX D)